

House File 655 - Introduced

HOUSE FILE 655

BY COMMITTEE ON TRANSPORTATION

(SUCCESSOR TO HSB 196)

A BILL FOR

- 1 An Act establishing a shortline railroad restoration tax
- 2 credit, and including effective date and retroactive
- 3 applicability provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15K.1 Definitions.

2 As used in this chapter, unless the context otherwise
3 requires:

4 1. "*Department*" means the department of revenue.

5 2. "*Qualifying shortline railroad restoration project*"
6 means an expenditure for maintenance, reconstruction, or
7 replacement of railroad infrastructure. A "*qualifying shortline*
8 *railroad restoration project*" also includes an expenditure for
9 maintenance, reconstruction, or replacement expenses that may
10 include new construction of industrial leads, switches, spurs,
11 sidings, and extensions of existing sidings.

12 3. "*Railroad infrastructure*" includes track, roadbed,
13 bridges, industrial leads, and track-related structures owned
14 or leased as of January 1, 2019.

15 4. "*Tax credit*" means the shortline railroad restoration tax
16 credit.

17 Sec. 2. NEW SECTION. 15K.2 Shortline railroad restoration
18 tax credit — limitations.

19 To qualify for the tax credit, all of the following must
20 apply:

21 1. The taxpayer must be classified as a class II or class
22 III railroad by the federal surface transportation board
23 pursuant to 49 C.F.R. §1106.2.

24 2. The taxpayer must have a qualifying shortline railroad
25 restoration project expenditure during the tax year.

26 3. A qualifying shortline railroad restoration project
27 expenditure is deemed to have occurred on the date the
28 expenditure is incurred.

29 4. *a.* For a class III railroad, the amount of the tax
30 credit shall not exceed the product of seven thousand dollars
31 multiplied by the number of miles of railroad track owned or
32 leased within the state by the taxpayer at the close of the tax
33 year when the qualifying shortline railroad project expenditure
34 occurred.

35 *b.* For a class II railroad, the amount of the tax credit

1 shall not exceed the product of two thousand dollars multiplied
2 by the number of miles of railroad track owned or leased within
3 the state by the taxpayer at the close of the tax year when the
4 qualifying shortline railroad project expenditure occurred.

5 5. The amount of the tax credit shall equal fifty percent
6 of the total expense of the qualifying shortline railroad
7 restoration project expenditure paid for by the taxpayer,
8 subject to the limitation in subsection 4.

9 Sec. 3. NEW SECTION. 15K.3 Shortline railroad restoration
10 tax credit — certificate — transferability.

11 1. a. A tax credit is allowed against the taxes imposed in
12 chapter 422, divisions II, III, and V, and in chapter 432, and
13 against the moneys and credits tax imposed in section 533.329.

14 b. An individual may claim a tax credit under this
15 subsection of a partnership, limited liability company,
16 S corporation, estate, or trust electing to have income
17 taxed directly to the individual. The amount claimed by the
18 individual shall be based upon the pro rata share of the
19 individual's earnings from the partnership, limited liability
20 company, S corporation, estate, or trust.

21 c. Any tax credit in excess of the taxpayer's liability
22 for the tax year is not refundable but may be credited to the
23 tax liability for the following five years or until depleted,
24 whichever is earlier.

25 d. A tax credit shall not be carried back to a tax year
26 prior to the tax year in which the taxpayer first receives the
27 tax credit.

28 2. a. To claim a tax credit under subsection 1, a taxpayer
29 must include one or more tax credit certificates with the
30 taxpayer's tax return. A tax credit certificate shall not be
31 included with a return filed for a taxable year beginning prior
32 to the tax year listed on the certificate.

33 b. The tax credit certificate shall contain the taxpayer's
34 name, address, tax identification number, the amount of the
35 credit, any other information required by the department,

1 and a place for the name and tax identification number of a
2 transferee and the amount of the tax credit being transferred.

3 *c.* The tax credit certificate, unless rescinded by the
4 department, shall be accepted by the department as payment for
5 taxes imposed pursuant to chapter 422, divisions II, III, and
6 V, and in chapter 432, and against the moneys and credits tax
7 imposed in section 533.329.

8 *d.* Tax credit certificates issued under this section may be
9 transferred to any individual or entity. Within ninety days
10 of transfer, the transferee shall submit the transferred tax
11 credit certificate to the department along with a statement
12 containing the transferee's name, tax identification number,
13 and address, the denomination that each replacement tax credit
14 certificate is to carry, and any other information required by
15 the department.

16 *e.* Within thirty days of receiving the transferred tax
17 credit certificate and the transferee's statement, the
18 department shall issue one or more replacement tax credit
19 certificates to the transferee. Each replacement tax credit
20 certificate must contain the information required for the
21 original tax credit certificate and must have the same
22 expiration date that appeared in the transferred tax credit
23 certificate. Tax credit certificate amounts of less than the
24 minimum amount established by rule of the department shall not
25 be transferable.

26 *f.* A tax credit shall not be claimed by a transferee
27 under this section until a replacement tax credit certificate
28 identifying the transferee as the proper holder has been
29 issued. The transferee may use the amount of the tax credit
30 transferred against the taxes imposed in chapter 422, divisions
31 II, III, and V, and chapter 432, and against the moneys and
32 credits tax imposed in section 533.329, for any tax year the
33 original transferor could have claimed the tax credit. Any
34 consideration received for the transfer of the tax credit shall
35 not be included as income under chapter 422, divisions II, III,

1 and V. Any consideration paid for the transfer of the tax
2 credit shall not be deducted from income under chapter 422,
3 divisions II, III, and V.

4 3. The amount of the tax credit shall be determined by the
5 department as provided in section 15K.4.

6 Sec. 4. NEW SECTION. 15K.4 Tax credit — application —
7 award.

8 1. The department shall develop a system for the
9 application, review, and authorization of tax credits awarded
10 pursuant to this chapter and shall control the issuance of all
11 tax credit certificates.

12 2. Upon review of the information required to be submitted
13 by a taxpayer, which shall include documentation of qualifying
14 shortline railroad restoration projects eligible expenditures,
15 the number of track miles in this state, and status as a class
16 II or class III railroad, the department shall issue the tax
17 credit certificate stating the amount of the tax credit that
18 may be claimed.

19 3. Qualifying shortline railroad restoration project
20 expenditures funded by grants from an agency of the federal
21 government, from another state agency, or from a political
22 subdivision of the state shall not be eligible to generate a
23 tax credit award pursuant to this chapter.

24 4. The department shall adopt rules pursuant to chapter 17A
25 to administer this chapter.

26 Sec. 5. NEW SECTION. 422.12N Shortline railroad restoration
27 tax credit.

28 The taxes imposed under this division, less the credits
29 allowed under section 422.12, shall be reduced by a shortline
30 railroad restoration tax credit as allowed under section 15K.3.

31 Sec. 6. Section 422.33, Code 2019, is amended by adding the
32 following new subsection:

33 NEW SUBSECTION. 31. The taxes imposed under this division
34 shall be reduced by a shortline railroad restoration tax credit
35 as allowed under section 15K.3.

1 (insurance companies tax), and against the moneys and credits
2 tax imposed in Code section 533.329 (credit union taxation).

3 To qualify for the tax credit under the bill, the taxpayer
4 must be classified as a class II or class III railroad by the
5 federal surface transportation board, and have a qualifying
6 shortline railroad restoration project expenditure during the
7 tax year.

8 For a class III railroad, the amount of the tax credit shall
9 not exceed the product of \$7,000 multiplied by the number of
10 miles of railroad track owned or leased within this state by
11 the taxpayer at the close of the tax year when the qualifying
12 shortline railroad restoration project expenditure occurred.
13 For a class II railroad, the amount of the tax credit shall
14 not exceed the product of \$2,000 multiplied by the number of
15 miles of railroad track owned or leased within the state by
16 the taxpayer at the close of the tax year when the qualifying
17 railroad project expenditure occurred. The amount of the tax
18 credit shall equal 50 percent of the total expense of the
19 qualifying shortline railroad restoration project. The bill
20 specifies that a qualifying shortline railroad restoration
21 project expenditure is deemed to have occurred on the date the
22 expenditure is incurred.

23 The tax credit is not refundable, but any credit not used
24 by the taxpayer may be carried forward for up to five years.
25 However, a tax credit shall not be carried back to a tax year
26 prior to the tax year in which the taxpayer first receives the
27 tax credit.

28 The bill allows the tax credit to be transferred to any
29 individual or entity.

30 The department of revenue is required to develop a system
31 for the application, review, and authorization of tax credits
32 awarded pursuant to the bill and shall control the issuance of
33 all tax credit certificates.

34 The bill takes effect upon enactment and applies
35 retroactively to January 1, 2019, to tax years beginning on or

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1 after that date.